

FISCAL NOTE

Bill #: HB0521

Title: Establish bid preference for food produced in Montana

Primary Sponsor: Furey, K

Status: As Introduced-Revised

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$22,650*	\$22,650*
Other	\$315,000	\$315,000
Revenue:		
General Fund	\$0	\$0
Other	\$0	\$0
Net Impact on General Fund Balance:	Unknown	Unknown

- | | |
|-----------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

* Costs shown are for the Department of Corrections and the Montana University System only. Costs may increase significantly for other state agencies (see assumption #1).

ASSUMPTIONS:

Department of Administration (DOA)

1. The state, including the University System, purchased approximately \$12 million dollars worth of food in FY 2004. It is impossible to determine, on a statewide basis, how many times the 10 percent preference would come into effect in the awarding of the food contracts or how much of the state's food purchases could come from Montana food producers, but the increase could be significant. The Department of Corrections was able to break out costs more specifically as shown below.

Department of Corrections (DOC)

2. This bill establishes a bid preference for food products produced in Montana but not a preference for Montana suppliers.
3. Currently several food products, such as fresh eggs, dairy products, specific pastas, and cereal products, which are produced in Montana are being purchased on Montana State Prison (MSP) Food Factory bids. This bill would have no fiscal impact for those products.

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4. Currently, there is no labeling of state of origin for beef products to identify Montana beef. Yet Montana produced beef is supplied to the major national beef packers. It is assumed that beef purchased on current state bids includes Montana grown beef so this bill would have no fiscal impact on these products.
5. Products that are produced in Montana, such as flours, sugar, honey, pastas, potatoes, pork, and chicken, and currently are obtained from other sources and equate to \$226,500 in fiscal year 2004. A 10 percent maximum bid preference on these items would equal \$22,650 per year for the MSP Food Factory.
6. It is an unknown what other food products could potentially be produced in Montana at a later date, or what other products are currently produced that may be used by the MSP Food Factory at a later date, therefore there is no basis to calculate any additional fiscal impact.

University Systems

7. Only the UM Missoula and MSU Bozeman campuses would be impacted. This requirement would be cost prohibitive on the smaller campuses. Food purchases for FY 2004 for the two larger campuses was approximately \$7 million.
8. Although the preference is required on all procured food, the University System estimates a maximum of 35 percent procured from in-state providers
9. A 10 percent increase in cost is assumed for 35 percent of the food costs (again, excluding the smaller campuses.)
10. An additional FTE will be required at each university to monitor the activity.
11. MSU estimated \$318,000 for 100 percent in-state preference, plus additional 2.50 FTE. This fiscal note may be conservative in estimating 2.00 FTE total for the MUS and \$245,000 in additional procurement costs. UM's estimates were significantly less, but they estimated on 12 percent of their purchases would be from in-state producers.

FISCAL IMPACT:

Department of Corrections (DOC)

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$22,650	\$22,650
<u>Funding of Expenditures:</u>		
General Fund (01)	\$22,650	\$22,650

Montana University Systems

FTE	2.00	2.00
<u>Expenditures:</u>		
Personal Services	\$70,000	\$70,000
Operating Expenses	<u>245,000</u>	<u>245,000</u>
TOTAL	\$315,000	\$315,000
<u>Funding of Expenditures:</u>		
Other- University Funds	\$315,000	315,000

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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$22,650)	(\$22,650)
Other	(\$315,000)	(\$315,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

MSU has federal contracts whereby they supply food stuffs to certain targeted populations across the state. If prices for food goes up, there will be less food to distribute for the same dollars.

LONG-RANGE IMPACTS:

MSU fears that there will be a diminished ability to draw large bidders and thereby obtain lower costs to pass on to student customers. See also technical notes.

TECHNICAL NOTES:

Department of Administration (DOA)

1. The definition of “food” and “produced” is so broad that nearly every food article could qualify for this preference. Examples: beverages that are bottled in Montana, Montana wheat that goes into innumerable products throughout the country; beef that is grown here but fattened and processed in other states; bread that is baked here from dough produced in another state.
2. The current language would allow for a single Montana produced item to garner the preference for the whole bid, even if the entire food bid is for hundreds of items.

Department of Public Health and Human Services (DPHHS)

3. The state institutions managed by the DPHHS have their own delegated purchasing authority. It is assumed that the purchasing authorities within these institutions follow all State of Montana procurement rules and regulations.
4. There is a federal prohibition to preferences on purchases and bids for agencies/entities that receive federal monies through a reimbursement scheme rather than as a federal grant.
5. Montana Developmental Center (MDC), Montana State Hospital (MSH), and Montana Mental Health Nursing Care Center (MMHNCC) are funded up front with general fund and federal funds are used to reimburse the general fund for these costs. Because of this, in order for these institutions to comply with the intent of this bill, any sums expended to meet the requirement would not be reimbursable by the federal government.

Montana University System

6. Because this bill mandates in-state food producer preference, it would be especially difficult for the smaller campuses of the University System, where there are small operations and low margins, to comply. Significant additional costs would be passed on to students.